

BEFORE THE
POSTAL REGULATORY COMMISSION
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Postal Regulatory Commission
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VALASSIS NSA

Docket No. MC2012-14

Docket No. R2012-8

RESPONSE OF THE McCLATCHY COMPANY TO NOTICE OF INQUIRY NO. 1

Headquartered in Sacramento, California, The McClatchy Company, through its affiliates (collectively “McClatchy”), is the third-largest newspaper publisher in the United States with 30 daily newspapers in 29 cities and 15 states stretching from Anchorage, Alaska, to Miami, Florida. McClatchy’s largest newspapers include *The Miami Herald*, *The Sacramento Bee*, the *Fort Worth Star-Telegram*, *The Kansas City Star*, *The Charlotte Observer* and *The News & Observer* in Raleigh, N.C.

McClatchy submits this declaration in support of the Newspaper Association of America’s (“NAA”) Response to Notice of Inquiry No. 1.

McClatchy wants to formally reiterate our opposition to the proposed Negotiated Service Agreement (“NSA”) between the United States Postal Service (“USPS”) and Valassis Direct Mail, Inc. (“Valassis”) and further illustrate the irreparable harm the agreement could have on McClatchy, the USPS and the communities we collectively serve.

Valassis is one of McClatchy’s largest competitors with operations in most of McClatchy’s 29 U.S. markets. Valassis not only competes with McClatchy in the direct mail business, but also impacts the demand for the distribution of preprinted advertising inserts delivered within our newspapers, one of McClatchy’s major revenue sources as indicated below. The proposed discounted rate to Valassis is not only unfair, it could upend the competitive landscape in our markets in favor of Valassis, potentially dealing McClatchy’s operations a serious blow and impacting our ability to serve our communities with high quality news and information.

Response To Questions

1. For fiscal year 2010, we estimate that advertising inserts for durable and semi-durable goods from national retailers represented 17% of McClatchy’s total advertising revenues (including ROP, classified, and digital advertising), 21% of our total print advertising revenue, and 50% of our total preprint advertising revenue.

2. For fiscal year 2011, we estimate that advertising inserts for durable and semi-durable goods from national retailers represented 18% of McClatchy’s total advertising revenues (including ROP, classified, and digital advertising), 22% of our total print advertising revenue, and 49% of our total preprint advertising revenue.

3. McClatchy's newspapers distribute Total Market Coverage ("TMC") packages to non-newspaper subscribers through the mail and carrier delivery midweek. While TMCs may contain advertising inserts from national retailers and for durable and semi-durable goods, most of these types of midweek advertising inserts represent local grocery stores, fast food outlets and other retailers with local operations. Most of the ad inserts from national retailers and for durable and semi-durable goods are distributed within McClatchy's Sunday newspaper editions or through our carrier-delivered "Sunday Select" program targeting non-newspaper subscribers. The Sunday newspaper is very important to McClatchy's operations. On average, Sunday newspaper advertising drives nearly 36% of McClatchy's advertising revenues. The Sunday paper creates a significant portion of our profits in addition to being highly valued by our readers and advertisers. The proposed NSA with Valassis, however, could lure many of these durable and semi-durable goods advertisers from our Sunday newspapers to Valassis, which we believe would diminish a significant portion of McClatchy's preprint advertising revenues and, as a result, cause us to cut costs in response, including the possibility of scaling back our news coverage and potentially pulling our midweek TMC package from the mail to obtain savings to remain competitive.

4. For fiscal year 2010, McClatchy paid the USPS approximately \$35.6 million to deliver our TMC and direct mail products. McClatchy is unable to provide the Postal Regulatory Commission cumulative weight or individual pieces mailed companywide since McClatchy's systems do not track these measurements.

5. For fiscal year 2011, McClatchy paid the USPS approximately \$35.4 million to deliver our TMC and direct mail products.

6. McClatchy believes that the USPS could lose a significant portion of the approximately \$35.4 million McClatchy expects to spend on postage in the next year if the Valassis NSA is approved.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on June 26, 2012.



Patrick J. Talamantes
President & CEO
The McClatchy Company